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1971

EIGHTH
ANNUAL
REPORT

AGRA

Ed

AGRA INDUSTRIES LIMITED

AGRA

INDUSTRIES LIMITED

EIGHTH ANNUAL REPORT 1971

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ANNUAL MEETING

The annual meeting of shareholders will be held Thursday, December 9, 1971 in the Sheraton Cavalier Hotel, Saskatoon, Saskatchewan at 2:00 p.m. If you cannot be present, please vote by proxy.



A



C



B



D



E



F

- A Research Foods' chemists are constantly working in their modern laboratory to develop new products.
- B Research Foods' spray-drying oven at work.
- C Western Caissons extends Duncan's Wharf at Port Alfred, Quebec, for the Aluminum Company of Canada by driving 36-inch steel pipe piles up to 190 feet long into the Saguenay River.
- D Density control tests on Calgary streets by Torchinsky Consulting's engineers.
- E Torchinsky Consulting's testing laboratory in Saskatoon.
- F Saskatoon's famous Ski Mountain was engineered and construction supervised by Torchinsky Consulting Ltd.

HIGHLIGHTS

FOR THE YEAR

	1971	1970
Revenues:		
Engineering Group	\$ 8,918,016	6,314,474
Foods Group	7,881,932	5,196,144
Beverage Group	2,826,703	2,290,915
Communications Group	1,319,287	587,366
Total Revenues	20,945,938	14,388,899
Earnings	1,292,382	525,377
Earnings per Share83	.36
Cash Flow	2,601,772	933,901
Cash Flow per Share	1.68	.64
Dividends Paid	97,204	nil
Dividends per Share06	nil
Capital Expenditures	2,933,800	912,400
Corporation Income Taxes	1,100,165	232,984
Depreciation	484,614	315,527
Total Payroll and Benefits	4,107,000	3,427,000
Total Purchases of Canadian Material e.g. Rapeseed, Concrete, Steel, Sugar, Coaxial Cable, etc.	10,703,000	9,035,000

AT YEAR END

Working Capital	\$ 730,406	(432,035)
Total Assets	17,484,967	10,515,559
Shareholders' Equity	5,459,833	3,105,092
Equity per Share	3.37	2.10
Number of Employees	700	600
Number of Shareholders	1,550	1,450
Average Shares Outstanding	1,548,570	1,449,440



INDUSTRIES LIMITED

125 - 105th STREET, EAST, SASKATOON, CANADA

BOARD OF DIRECTORS

D. H. C. BEACH	Vice-President, Crushing and Refinery Operations
A. BERDAY	Vice-President, Communications Group
S. J. HAMER	Senior Vice-President
W. B. MANOLSON	Vice-President, Concordia Estates Ltd.
T. A. McLELLAN	Secretary-Treasurer
G. W. NEUMANN	Vice-President, Foods Group
C. ROLES	Senior Vice-President and President of Smith-Roles Ltd.
N. STACEY	Farmer (Elite Seed Grower)
H. STEPHENS	General Manager, SEDCO
B. B. TORCHINSKY	President

OFFICERS AND CORPORATE MANAGEMENT

B. B. TORCHINSKY	President
C. ROLES	Senior Vice-President
S. J. HAMER	Senior Vice-President
G. W. NEUMANN	Vice-President in charge of Foods Group
C. BRODEUR	Vice-President in charge of Engineering Group
A. BERDAY	Vice-President in charge of Communications Group
K. TAYLOR	Vice-President in charge of Beverage Group
D. H. C. BEACH	Vice-President in charge of Crushing and Refinery Operations
V. MILLER	Vice-President in charge of Marketing
T. A. McLELLAN	Secretary-Treasurer

COMPANY AUDITORS

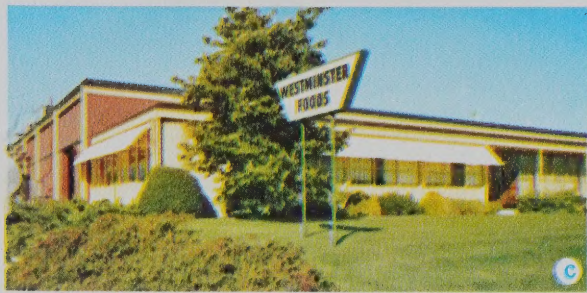
Hamilton, George, Taylor, Golumbia & Co.,
CN Towers, Saskatoon, Saskatchewan

REGISTRAR & TRANSFER AGENT

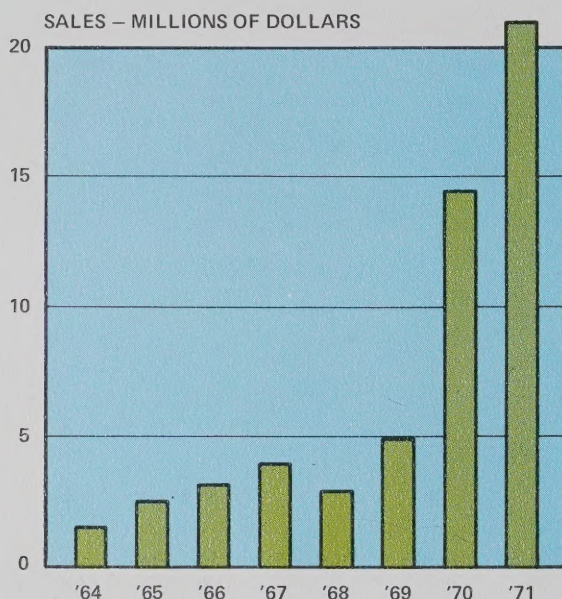
Canada Permanent Trust Company,
Saskatoon and Toronto

EXCHANGE LISTING

Toronto Stock Exchange



- A Compact-O-Pile installation by Western Caissons for a fish hatchery and rearing station in Calgary.
- B Research Foods' production plant in Toronto.
- C Westminster Foods' margarine packaging plant in Vancouver.
- D A trainload of rapeseed oil ready for market from AGRA's refinery in Nipawin.
- E A rapeseed field in bloom near AGRA's edible oil plant in Nipawin.



REPORT TO THE SHAREHOLDERS

In every way, the past year has highlighted eight years of growth for AGRA, with revenues, assets and earnings reaching record levels. All four of our major operating groups contributed to this record, despite restrictive monetary and economic conditions. The most impressive contribution to earnings was made by the Engineering Group and the Foods Group (formerly the Edible Oil Division), followed by the Communications Group and the Beverage Group.

For the fiscal year ended July 31, 1971 revenues increased to \$20,945,938 compared with \$14,388,899 last year, an increase of 45 percent. Earnings for the year rose to \$1,292,382 compared with \$525,377 in 1970. This is an increase of 146 percent. Earnings per share more than doubled from last year's 36 cents to 83 cents for the current year. In 1970 earnings per share were based on 1,449,440 outstanding shares, whereas for the current year, per share earnings are based on 1,548,570 outstanding shares. The increase is due primarily to shares being issued as part payment for CableVision Lethbridge Ltd., Co-Ax Cable TV Limited, Powell River Television Company Ltd. and for a one-half interest in Research Foods Limited.

During the year we expanded all of our operating groups both internally and externally. The Foods Group was expanded with major additions to our edible oil crushing plant in Nipawin. These additions cost approximately \$1,250,000 and will triple the output capacity of crude oil from 50 million to 150 million pounds per year. The same group was further expanded when we purchased 50 percent of Research Foods Limited, a Toronto based producer of dehydrated cheese powders, spices and seasoning blends for the food processing industry. Earnings from Research Foods contributed to AGRA's performance only in the last quarter, since the purchase was made on May 1st, 1971.

The Engineering Group also expanded during the year. Internal expansion was achieved by acquisition of specialized equipment purchased at a cost in excess of \$600,000. One example is the 140 ton capacity Link Belt crane which was purchased at a cost of \$250,000. This crane is

the largest of its type in Canada and is presently engaged in installing 190 foot pipe piles for the Aluminum Company of Canada at Port Alfred, Quebec. Further expansion of the Engineering Group was made when we established a permanent office in Washington, D.C., where we have been engaged during the past year on three different construction contracts in connection with the Metro Washington Rapid Transit System.

The Communications Group expanded during the year with the purchase of Co-Ax Cable TV Limited, Powell River Television Company Ltd., and a 75 percent interest in CableVision Lethbridge Ltd. The Lethbridge system was purchased at the end of the prior year and contributed to our earnings for the first time in 1971. It presently has 4,500 subscribers and a total potential of over 10,000 subscribers. Co-Ax Cable TV Limited was purchased early in fiscal 1971 and added 5,500 subscribers to our Communications Group. Powell River Television Company Ltd. was purchased in the middle of 1971, so that it contributed to earnings for only six months. It added about 3,500 subscribers to make a total of approximately 13,500 subscribers presently serviced by our various cable systems in Western Canada, with a total potential in excess of 20,000.

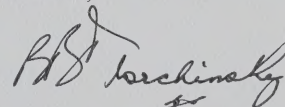
Our Beverage Group has recently completed a consolidation program to combine the operations of Lethbridge Bottling (our Seven-Up and Orange Crush distributor in Lethbridge) with Chinook Bottling (our Pepsi-Cola and Canada Dry distributor in Lethbridge). The combined operations of these two companies, using one high speed bottling line as well as common warehouse and distribution facilities, should result in substantial economies for the new year. This should provide increased profits for the Beverage Group in the future.

In addition to the expansions outlined we are continuing to seek out and develop new growth areas. In this respect, our main interest is to develop the business fields in which we are already established. Fortunately, there is much for us to do in these fields. For example, since our year-end we have completed the purchase of Westminster Foods Ltd., a Vancouver based custom packager of

margarine and salad oil products. This company is the largest custom packager of margarine west of Toronto and will consume over 20 million pounds of edible oil each year — a major portion of which will be supplied from our Nipawin refinery. We are presently constructing packaging facilities at our Nipawin refinery in order to most efficiently service the Prairie needs in edible oil products, and we are also seriously examining several possibilities in Eastern Canada for development of refining and packaging facilities there. Other growth areas which are presently being actively pursued include a new office and shop operation for Western Caissons in Vancouver, the establishment of "PolarPak", a new line of non-carbonated soft drinks in easily disposable containers, and the application for a license to construct a cable television system in either Saskatoon or Regina — two of the last major Canadian cities which are not yet served with cable television.

With the increased capacity of our rapeseed crushing plant working for us in 1972 and the contribution to earnings of all the added operations outlined herein, I believe you will agree with me when I say that AGRA is rapidly moving ahead. For this continued progress, I wish to express appreciation for the loyalty of our shareholders, customers, food brokers and suppliers. A special word of thanks and good wishes is extended to Mr. Nile Nicholson, who retired earlier in the year from our Board of Directors. Mr. Nicholson was one of the original founders and directors of AGRA and worked hard for ten years towards our development. His efforts, as well as those of all our directors, officers and employees have brought us to our present success, and I am confident will bring us to even greater successes in 1972.

On behalf of the Board of Directors,



B. B. TORCHINSKY,
President

Saskatoon,
October, 1971

FIVE-YEAR REVIEW

OPERATING DATA

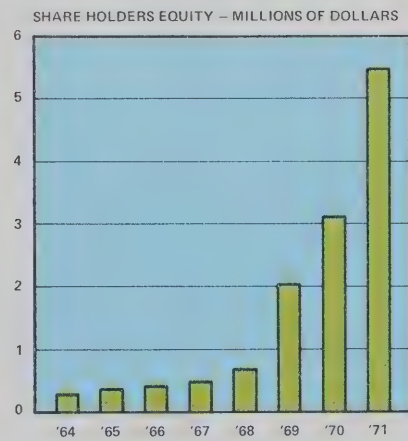
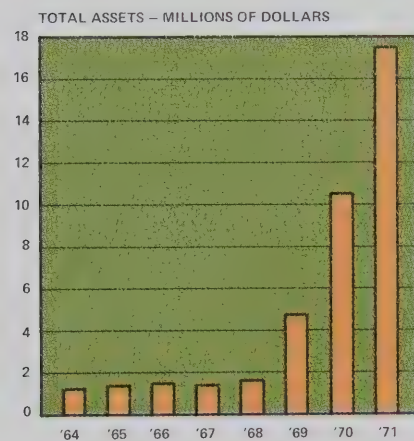
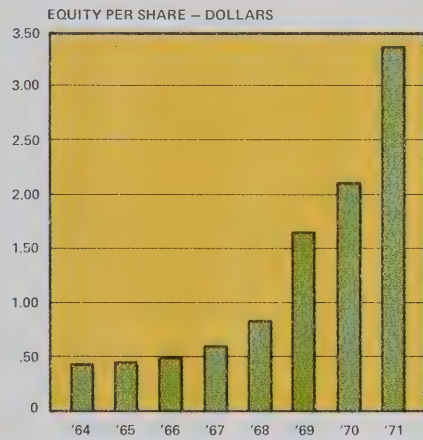
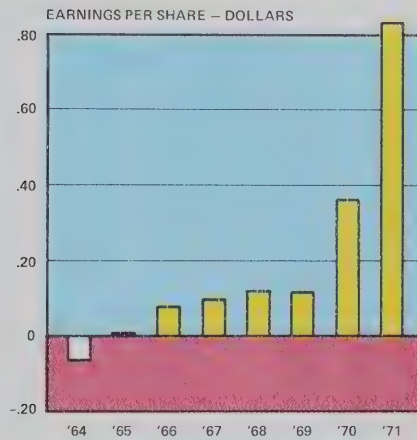
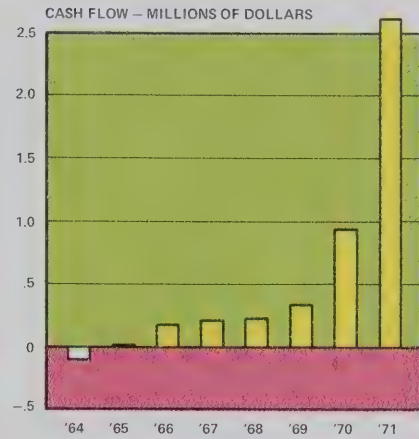
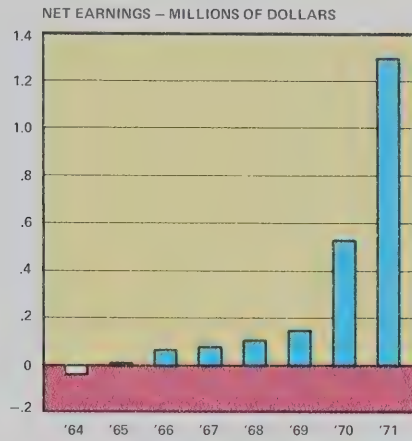
	1971	1970	1969	1968	1967
Revenues	\$20,945,938	14,388,899	4,889,355	2,884,621	3,906,112
Depreciation	484,614	315,527	58,782	43,273	43,079
Pre-tax Earnings	2,392,547	758,361	274,022	194,919	165,433
Current Taxes	275,389	139,851	2,217	12,764	nil
Deferred Taxes	824,776	93,133	131,008	78,029	69,707
Net Earnings	1,292,382	525,377	140,797	104,126	95,726
Cash Flow	2,601,772	933,901	337,325	225,428	208,512
Dividends Paid	97,204	nil	51,638	41,565	nil

BALANCE SHEET DATA

Current Assets	\$ 7,009,461	3,462,991	1,189,655	739,623	610,595
Current Liabilities	6,279,055	3,895,026	819,778	447,821	481,560
Working Capital	730,406	(432,035)	369,877	291,802	129,035
Fixed Assets	8,177,940	5,165,317	2,940,064	810,745	725,886
Long-term Debt	3,993,232	2,839,583	1,565,532	302,200	323,000
Shareholders' Equity	5,459,833	3,105,092	2,020,998	691,914	501,517

COMMON STOCK DATA

Earnings per Share	\$.83	.36	.12	.12	.09
Cash Flow per Share	1.68	.64	.27	.27	.25
Dividends per Share06	nil	.05	.05	nil
Book Value per Share	3.37	2.10	1.65	.78	.60
Average Shares Outstanding	1,548,570	1,449,040	1,229,090	831,296	831,296
Number of Shareholders	1,550	1,450	1,100	650	650



ENGINEERING GROUP

The Engineering Group consists of Torchinsky Consulting Ltd. and the Western Caissons group of companies located in eighteen offices in cities across Canada and the United States. Torchinsky Consulting conducts engineering consulting work in the fields of soil mechanics and foundation engineering, highway and topographical surveys and design, laboratory testing of construction materials, legal surveys, etc. Western Caissons constructs foundation piles and caissons for heavy structures such as bridges and high rise buildings. It is the only Canadian-owned company which specializes in this work on an international basis.

Revenue from the Engineering Group in fiscal 1971 reached a total of \$8,918,016 which exceeded the prior year's revenue of \$6,314,474 by 41 percent, and provided a major contribution to earnings for the year. During the year, the consulting division of the Engineering Group surveyed and designed over 800 miles of provincial and municipal highways, conducted more than 300 foundation investigations, completed traffic counting surveys on highway networks numbering more than 15,000 miles, and completed a myriad number of other engineering services. The construction division, through the Western Caissons group of companies, completed a total of 980 foundation piling or caisson contracts, each varying in value from a low of \$1,000 to a high of \$750,000.

During fiscal year 1971, we invested over \$600,000 in new machinery and tools to expand the complement of equipment available for our business. Among the major items purchased were a total of 3 new cranes and 2 new drilling rigs, to bring our total number of heavy duty cranes to 30 and our total number of drilling rigs to 38. We also established a permanent office managed by a professional engineer in Washington, D.C. where we have been involved for a major part of the year in several construction sub-contracts in connection with the Metro Washington Rapid Transit System. We anticipate much more work in Washington and vicinity in connection with the transit system and also on other projects along the Eastern United States seaboard.

Construction in 1971 began slowly but increased substantially by the end of the year. This trend shows every sign of continuing at a faster pace in 1972. With the specialized equipment purchased during the year and with our additional activities in the United States, we anticipate that the total sales and earnings performance of the Engineering Group will show a marked increase over the very satisfactory performance made in 1971.



- A A 1200-foot-long steel sheet pile cut-off wall is installed by Western Carsons in Saskatoon.
- B One of Western Carsons' mobile drill rigs in Edmonton. This machine can drill columns up to 100 feet deep and 15 feet in diameter.
- C Soldier piles for the Expo Transit Subway System at Washington, D.C., were supplied by Western Carsons.
- D Material testing and analysis surveys were conducted by Torchinsky Consulting during construction of a secondary treatment lagoon for pollution control of effluent from the Prince Albert Pulp Mill.
- E Photogrammetry studies conducted at Torchinsky Consulting's laboratory.



FOODS GROUP

At the beginning of fiscal year 1971 the Foods Group consisted only of our rapeseed crushing plant and crude oil refinery located in Nipawin. During the year this group was expanded to include a 50 percent interest in Research Foods Limited of Toronto and an AGRA sales office was established in Toronto to market our refined oils and to provide technical services to our edible oil customers. In addition, subsequent to the 1971 year-end we acquired Westminster Foods Ltd., a Vancouver based margarine packager.

Revenue from the Foods Group in fiscal 1971 was second only to the Engineering Group and reached a total of \$7,881,932, which exceeded last year's revenue of \$5,196,144 by 52 percent. Total revenue quoted includes our share of Research Foods' sales only for the last quarter. Revenue does not include sales of Westminster Foods since this purchase was effective September 1st, 1971, which is after the end of our fiscal year.

The rapeseed crushing plant was operated at its full capacity of 200 tons per day for the entire year in spite of problems created by construction work carried out in connection with our \$1,250,000 expansion program to increase the plant's crushing capacity to 600 tons per day. The expansion program cost somewhat more and took somewhat longer to complete than was originally anticipated. However, this is now in the final stages and we expect to have the new facilities on stream before the end of December, 1971.

Our refinery operated well throughout the year, during which time we developed our reputation as a fully qualified refiner of edible oil. The establishment of a Toronto sales office early in the year and the high quality of technical assistance provided by our very competent staff from this office has enabled us to develop a demand for our refined oil which exceeds the capacity of our plant. Consequently, we are now seriously considering an expansion program for the refinery in 1972.

Through the efforts of our Eastern sales office we were appointed official Canadian agent for the Durkee Industrial Foods Group, which is a part of SCM Corporation's

Glidden-Durkee Division in Cleveland, Ohio. The Durkee Group have specialized for 50 years in processing highly sophisticated edible oil products and have long been a world leader in food technology. They hold special patents on fractional crystallization processes used to produce unique edible oil products for the baking and confectionery trades. The sale of these products will complement our own edible oil products very well. Furthermore, our relationship with Durkee will give us access to their valuable experience as well as their recently completed five million dollar research laboratory in Cleveland. This should provide the opportunity to improve and develop our rapeseed oil for countless uses in the food processing industry.

AGRA has owned 50 percent of Research Foods since May 1st, 1971, and we hold an option to purchase all the remaining shares during the next three years. Research Foods produces bulk dehydrated specialty ingredients such as cheese powders for packaged snack foods and convenience dinners, shortening powders for the cake mix industry, spice and seasoning blends for potato chips and sauces as well as a variety of other specialties. New product development is an integral part of Research Foods' business, and efforts of the company are keyed towards working closely with manufacturers in the formulation of new products. Aside from the fact that Research Foods is a profitable business (1970 pre-tax earnings were \$258,000), we believe that this acquisition will give us a broader base from which to expand our contemplated role as an important supplier of ingredients to food processors.

The outlook for the coming year is excellent indeed for the Foods Group. The tripled capacity of our rapeseed crushing plant should produce a substantial increase in revenue and earnings. Supplies of rapeseed are at a record level in spite of a serious infestation of army worms near the end of the growing season, and demand for our oil is increasing. Furthermore, our refinery sales should remain at a high level throughout the new year as a result of our new sales office in Eastern Canada. In addition, we will have Westminster Foods and Research Foods contributing to earnings. With all of this, we anticipate an extremely busy and profitable year in 1972, and look forward to the Foods Group becoming the number one revenue producer of AGRA's four major operating groups.



- A Margarine packaging lines operating in Westminster Foods' plant in Vancouver.
- B Some of the margarine and salad oil products manufactured by Westminster Foods.
- C Special seasoning blends are packaged for shipment at Research Foods' plant in Toronto.
- D Aerial view of AGRA's enlarged 600 ton a day rapeseed crushing plant under construction in Nipawin.
- E New elevator and storage facilities at AGRA's rapeseed crushing plant in Nipawin.

COMMUNICATIONS GROUP

Fiscal year 1971 was the first year during which Co-Ax Cable TV Limited and CableVision Lethbridge Ltd. contributed to earnings, since both these companies were acquired early in 1971. Co-Ax has cable TV distribution facilities in Estevan and Weyburn, and CableVision Lethbridge has the cable system in Lethbridge. AGRA owns all of Co-Ax and has a 75 percent interest in Lethbridge. The Communications Group also includes General News Company Ltd., a news magazine and pocket book wholesale distributing company in Lethbridge, and Powell River Television Company Ltd., which was purchased in the middle of 1971. Powell River Television has the cable TV distribution facilities in Powell River, B.C., and also operates a major television sales and service business in that city.

Total revenue from the Communications Group increased substantially in 1971 to a total of \$1,319,287 compared with \$587,366 in 1970, an increase of 125 percent. General News contributed very satisfactorily to the total sales figure, however the major increase in business volume over last year is due to the acquisition of the new cable companies described above.

The Estevan, Weyburn and Powell River cable systems are mature systems which serve a total of nearly 9,000 subscribers. These systems cannot be expected to provide much additional growth, since they represent something over 80 percent saturation in the communities they serve. The Lethbridge system, on the other hand, is a relatively immature system with approximately 4,500 subscribers representing only 45 percent saturation, so that there is substantial growth potential available in Lethbridge for the next few years.

Recent regulations of the Canadian Radio-Television Commission (CRTC) as outlined in their current guide lines indicate that the cable television business in Canada is finally coming of age. It is being recognized for what it is; namely, a business undertaking which requires a heavy cash investment and technological know-how to establish, and the availability of substantial money, technology and experience to properly maintain. The potential for growth and development of the cable TV business in Canada remains very exciting, and the recognition which this fledgling industry has received by the government and the people in the last year has been most encouraging to those of us in the business.

In our own case, while some future growth can be anticipated internally from the systems we presently have, our main outlook for expansion should be in the direction of adding additional cable systems to our Group. In this respect, our main interest lies in developing new systems in areas which are presently not served with cable, such as Saskatoon and Regina. We feel that we are eminently qualified to construct and operate systems in these cities, since Saskatoon is our head office location and we are well established in the Province of Saskatchewan. Furthermore, some of AGRA's officers have been involved in the cable television industry in Saskatchewan since 1955. We are very familiar with the business and are already established in it in the smaller cities of Weyburn and Estevan. For these reasons, we are presently engaged in actively pursuing our application to the CRTC for a cable TV license in either Saskatoon or Regina or both.



- A CableVision's mobile camera and video-tape recorder is used to cablecast community events of interest to our subscribers.
- B A Co-ax technician uses a "giraffe" to quickly connect a new subscriber to our cable system.
- C Aerial view of Powell River, B.C., home of Powell River Television Company Ltd.
- D Interior view of CableVision Lethbridge's office.
- E Our mobile camera and tape recorder equipment is set up to record an interview for future cablecasting on our community channel, Cable TV2.

BEVERAGE GROUP

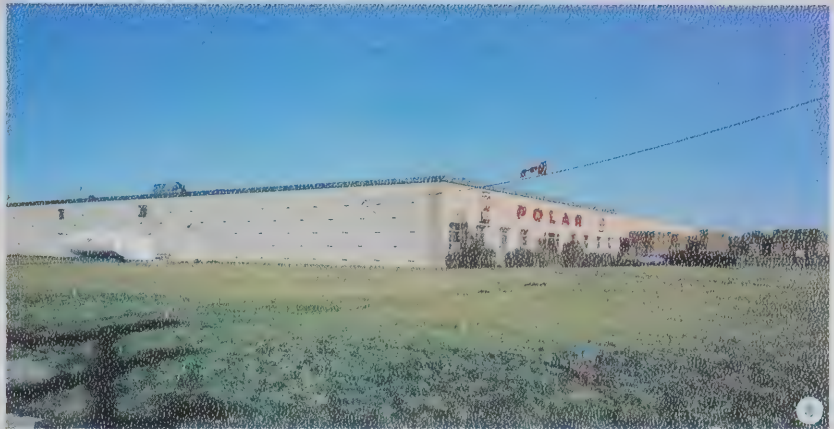
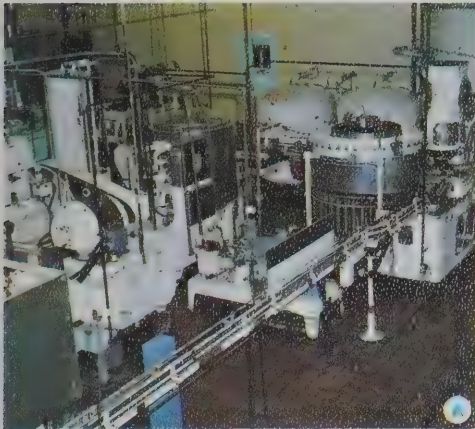
The Beverage Group includes Polar Beverages (1970) Limited in Calgary, Lethbridge Bottling Company Ltd. in Lethbridge and Chinook Bottling Ltd. in Lethbridge. Polar Beverages is the reorganized Calgary company which combines into one company the former Polar Aerated Waterworks Limited — the original soft drink bottling company; Polar Beverages Ltd. — the former warehousing and distributing company; and Polar Canning Ltd. — the former custom canning operation.

In 1971, the Beverage Group continued to advance, reaching new highs in both sales and earnings. Revenue in 1971 amounted to \$2,826,703 compared with \$2,290,915 in 1970, an increase of 24 percent.

Total number of cases of bottled drinks sold in the year 1971 exceeded those sold in 1970 by 6 percent. A much greater increase was shown in total number of cases of cans sold in 1971 which exceeded the 1970 number by 51 percent. With such a large volume increase, our earnings increase of 2 percent was modest indeed. This was largely due to a rapid increase in labor and service costs. In an effort to control these inflationary costs, the operations of Lethbridge Bottling and Chinook Bottling in Lethbridge were recently combined into one plant. A high speed bottling line was installed in the combined plant to enable the full bottling needs of both companies, which includes Seven-Up, Crush products, Hires Root Beer, Pepsi-Cola and Canada Dry products, to be produced with only one bottling crew in place of the two crews previously utilized. Furthermore, increased efficiencies were developed by combining the two company offices into one office and by warehousing and distributing each company's products jointly. This consolidation program, completed at the end of fiscal year 1971, should contribute to increased earnings in 1972.

As in many other parts of Canada and the United States, non-refillable bottles and cans have been under heavy pressure in Western Canada as a litter problem. Because our bottles and cans are highly visible, the public believes that soft drink companies are the biggest contributors to the whole litter problem, in spite of the fact that the best available evidence clearly indicates that soft drink packaging accounts for only about 5 percent of the total litter. Nevertheless, the entire problem of litter is a real one which the soft drink industry must face during the next few years and an intensive program to study the entire situation is presently being conducted by the industry in co-operation with others, in order to hopefully find a solution to the problem.

One possible direction in which a solution to the litter problem may proceed is in the development of easily disposable bottles or cans. Up to the present time, such containers have not been developed, but keeping in mind this possible direction of public thinking, Polar has developed a new product which will be marketed in Western Canada under the trade name "PolarPak". "PolarPak" drinks are non-carbonated fruit drinks which are packaged in a unique tetrahedron shaped container made from plasticized paper which can be crumpled after use like a paper cup, or can be burned to leave nothing but a trace of ashes. The "PolarPak" drink offers the public a novel, high quality product at a price lower than carbonated soft drinks, and in an easily disposable container. Initial interest in the trade has been most receptive, and we are optimistic that "PolarPak" will become highly popular, giving our Beverage Group an entirely new growth and development area in the future.



- A Chinook Beverages' high-speed bottling line in Lethbridge.
- B Polar's production plant and warehouse in Calgary.
- C Some of the more than 100 different soft drink products produced by the Beverages Group.
- D Pre-mix cylinders are used for fountain service drinks.
- E Polar's warehouse in Calgary.
- F Chinook Beverages' new bottling plant in Lethbridge.



AUDITORS REPORT

To the SHAREHOLDERS of
AGRA INDUSTRIES LIMITED

We have examined the consolidated balance sheet of Agra Industries Limited and its subsidiaries as at July 31, 1971 and the consolidated statements of earnings, retained earnings and funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at July 31, 1971 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, George, Taylor, Golumbia & Co.
Chartered Accountants

Saskatoon, Saskatchewan
October 9, 1971

AGRA INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended July 31, 1971 (With comparative figures for 1970)

	1971	1970
Income:		
Gross revenues from sale of products, rentals, contracts and fees	\$20,945,938	14,388,899
Expenses:		
Cost of materials, production, administration and selling — other than identified below	\$17,607,757	13,541,533
Depreciation	484,614	315,527
Interest on long-term debt	296,214	184,719
Other interest	123,923	169,251
Total expenses — Note 10	\$18,512,508	14,211,030
Earnings before extraordinary income and provision for corporation income taxes	\$ 2,433,430	177,869
Provision for corporation income taxes — Note 7	1,100,165	(71,251)
	\$ 1,333,265	249,120
Extraordinary income — net after provision for corporation income taxes	—	276,257
	\$ 1,333,265	525,377
Minority interest in earnings of subsidiaries	40,883	—
Net earnings for the year	\$ 1,292,382	525,377
Earnings per share	\$.83	.36

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended July 31, 1971 (With comparative figures for 1970)

	1971	1970
Balance at beginning of year	\$ 749,234	223,857
Add net earnings for the year	1,292,382	525,377
	\$2,041,616	749,234
Less dividends paid	97,204	—
Balance at end of year	\$1,944,412	749,234

**AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED BALANCE SHEET

As at July 31, 1971 (With comparative figures for 1970)

ASSETS

	1971	1970
Current:		
Accounts receivable	\$ 4,231,900	2,549,294
Inventories — at the lower of cost or net realizable value	2,277,159	648,689
Prepaid expenses and deposits	332,163	145,825
Grant receivable	168,239	119,183
Total current assets	\$ 7,009,461	3,462,991
Grant receivable — Note 3	\$ 140,000	—
Less current portion	110,000	—
Total non-current grant	\$ 30,000	—
Investments:		
Shares and bonds	\$ 10,000	353,660
Loans receivable	26,645	226,963
Total investments	\$ 36,645	580,623
Fixed — at cost:		
Land	\$ 190,930	169,199
Buildings	2,193,096	1,621,587
Machinery and equipment	9,217,643	5,824,062
	\$11,601,669	7,614,848
Less accumulated depreciation	3,423,729	2,449,531
Total fixed assets	\$ 8,177,940	5,165,317
Other:		
Organization expense	\$ 39,303	39,303
Commissions on sale of shares	32,826	32,826
Excess of cost of assets of subsidiary companies over book value	2,158,792	1,234,499
Total other assets	\$ 2,230,921	1,306,628
	\$17,484,967	10,515,559

The accompanying notes are an integral part
of the Consolidated Financial Statements.

With auditor's report dated October 9, 1971.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1971	1970
Current:		
Bank indebtedness — Note 4	\$ 3,262,400	1,616,217
Accounts payable	2,114,460	1,601,070
Corporation income taxes payable	255,538	142,398
Current instalments of long-term debt	<u>646,657</u>	<u>535,341</u>
Total current liabilities	\$ 6,279,055	3,895,026
 Long-term — Note 5	 \$ 4,639,889	 3,374,924
Less current instalments	<u>646,657</u>	<u>535,341</u>
Total long-term liabilities	\$ 3,993,232	2,839,583
 Minority interest in subsidiary companies — Note 6	 \$ 490,389	 42,883
 Deferred income taxes — Note 7	 \$ 1,262,458	 632,975
Total liabilities	\$12,025,134	7,410,467
 Shareholders' equity:		
Share capital — Note 8		
Authorized — 3,000,000 common shares without nominal or par value		
Allotted and fully paid — 1,620,073 shares	\$ 3,097,751	2,078,188
Contributed surplus — Note 9	417,670	277,670
Retained earnings	<u>1,944,412</u>	<u>749,234</u>
Total shareholders' equity	\$ 5,459,833	3,105,092
	\$17,484,967	10,515,559

Approved on behalf of the Board:
 B. B. TORCHINSKY, President
 T. A. McLELLAN, Secretary-Treasurer

**AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF FUNDS

For the year ended July 31, 1971

Funds provided by:

Operations:		
Net earnings for the year		\$1,292,382
Charges to earnings not requiring an outlay of funds:		
Depreciation	\$484,614	
Deferred income taxes	<u>824,776</u>	
		<u>1,309,390</u>
Decrease in investments		\$2,601,772
Increase in long-term liabilities — net of payments		543,978
Increase of minority interest in subsidiary companies		1,153,649
Shares issued for the acquisition of subsidiary companies — Note 2		447,506
Sale of shares		1,014,563
Grant — current portion — Note 3		5,000
		<u>110,000</u>
Total funds provided		<u>\$5,876,468</u>

Funds applied to:

Purchase of fixed assets — net of disposals	\$3,497,237
Increase in excess of cost of assets in subsidiary companies over book value	1,119,586
Payment of dividends	<u>97,204</u>
Total funds applied	<u>\$4,714,027</u>

Increase in net working capital	\$1,162,441
Working capital — beginning of year	<u>(432,035)</u>
Working capital — end of year	<u>\$ 730,406</u>

Represented by:

Current assets	\$7,009,461
Current liabilities	<u>6,279,055</u>
	<u>\$ 730,406</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at July 31, 1971

1. Principals of Consolidation.

The consolidated financial statements include the accounts of the Company and all subsidiaries, after elimination of inter-company transactions. The fiscal year-end of all subsidiary companies is July 31, except R. B. McLeod & Co. Ltd., the year-end of which is April 30.

2. Acquisitions.

During the year the Company acquired the following:

- a) Master Services Ltd. - 100% of the outstanding shares were acquired on August 1, 1970 for cash in the amount of \$34,162. Subsequently, the name of this company was changed to Co-Ax Cable TV Limited. On September 1, 1970 Agra Industries Limited acquired the fixed assets of Co-Ax Television (1962) Ltd. for a total price of \$424,875. The Company issued 28,378 common shares as partial consideration of the purchase price. The Company then sold the fixed assets to Co-Ax Cable TV Limited.
- b) Western Caissons (Quebec) Limited - 100% of the outstanding shares were acquired on September 1, 1970 for the nominal consideration of one dollar.
- c) Powell River Television Company Ltd. - 97% of the outstanding common shares were acquired on February 1, 1971 for a total price of \$453,033. The Company issued 39,716 common shares as partial consideration of the purchase price.
- d) Research Foods Limited - 50% of the outstanding shares were acquired on May 1, 1971 for a total price of \$650,000. The Company issued 64,706 common shares as partial consideration of the purchase price.

These purchases have been accounted for on an acquisition basis and accordingly, the consolidated financial statements for the year ended July 31, 1971, include the results of operations since the dates of acquisition.

3. Grant Receivable.

The Company has made application to the Canada Department of Regional Economic Expansion for a grant in connection with the construction of additional plant facilities. The Company has recorded \$140,000 as an estimate of the amount receivable under this application, of which 80% is payable by the Federal Government upon verification of the costs incurred.

4. Bank Indebtedness.

The bank loans are secured by various combinations of the following:

- a) General assignment of book debts.
- b) Assignment of inventory under Section 88 of the Bank Act.
- c) Assignment of title deeds to certain property.
- d) Personal guarantees of certain directors.

5. Long-term Debt.

a) Mortgages payable:

Mortgage payable to the Saskatchewan Economic Development Corporation, further secured by a general assignment of book debts and floating charge debenture on all assets. The general assignment and floating charge have been postponed in favour of a working capital loan from the bank.	\$1,433,818
Other mortgages payable maturing at various dates	848,409
Chattel mortgages payable on purchase of equipment	509,268
	<u>\$2,791,495</u>

b) Notes, agreements and loans payable:

Notes and agreements payable on the purchase of fixed assets and outstanding shares of subsidiaries maturing at various dates	\$ 849,871
Loans payable, other	998,523
	<u>\$1,848,394</u>

Total long-term debt \$4,639,889

6. Minority Interest.

The minority interest of \$490,389 includes an amount of \$28,500 which represents a 25% interest in the outstanding preferred shares of CableVision Lethbridge Ltd. and \$54,510 which represents a 100% interest in the outstanding preferred shares of Powell River Television Company Ltd.

7. Deferred Income Taxes.

Deferred income taxes have been provided for on the amount of contractors' holdbacks and capital cost allowance claimed for income tax purposes in excess of amounts recorded in the accounts.

8. Share Capital.

Changes in the outstanding common shares during the year:

- a) Issued for cash 1,000 shares
- b) Issued for subsidiary company acquired in 1970 9,333 shares
- c) Issued for subsidiary companies acquired in 1971 132,800 shares

Total issued during the year 143,133 shares

9. Contributed Surplus.

Contributed surplus arises out of subsidies granted by the Federal Government in connection with the construction of plant facilities. (see Note 3).

10. Remuneration to Directors.

Remuneration to directors and senior officers for the year amounted to \$131,600.

11. Transactions Subsequent to Year-end.

Subsequent to the year-end, the Company negotiated the purchase of all of the outstanding shares of Westminster Foods Ltd., Vancouver, British Columbia.

AGRA INDUSTRIES LIMITED

HEAD OFFICE: 125 - 105th STREET, EAST, SASKATOON, CANADA

FOODS GROUP

Head Office,
P.O. Box 1725,
125 - 105th Street East,
Saskatoon, Saskatchewan.
G. Neumann, Manager.

Eastern Sales Office,
P.O. Box 847,
150 Credit Stone Road,
Maple, Ontario.
V. Miller, Manager.

Westminster Foods Ltd.,
P.O. Box 2024,
Vancouver 3, B.C.
F. Bonnor, Manager.

Research Foods Limited,
77 Champagne Drive,
Downsview 462, Ontario.
H. Tenenbaum, Manager.

ENGINEERING GROUP

Torchinsky Consulting Ltd.,
121 - 105th Street East,
Saskatoon, Saskatchewan,
P. Machibroda, Manager.

Torchinsky Consulting Ltd.,
Corner 7th and Elliott,
Regina, Saskatchewan.
G. Holoboff, Manager.

Torchinsky Consulting Ltd.,
416 Monument Place,
Calgary, Alberta.
S. Bulych, Manager.

Torchinsky Consulting Ltd.,
9715 - 60th Avenue,
Edmonton, Alberta.
G. Rohr, Manager.

Torchinsky Consulting Ltd.,
105 - 15th Street East,
Prince Albert, Saskatchewan.
F. Vick, Manager.

Torchinsky Consulting Ltd.,
160 Myrtle Avenue,
Yorkton, Saskatchewan.
W. Arnason, Manager.

Torchinsky Consulting Ltd.,
5734 - 35th Street West Park,
Red Deer, Alberta.
V. Molloy, Manager.

Torchinsky Consulting Ltd.,
1018 - 3rd Avenue South,
Lethbridge, Alberta.

Torchinsky Consulting Ltd.,
No. 1 Highway West,
Swift Current, Saskatchewan.
W. Yuzdepski, Manager.

Western Caissons (Alta.) Limited,
9715 - 60th Avenue,
Edmonton, Alberta.
D. McCarthy, Manager.

Western Caissons (Alta.) Limited,
416 Monument Place,
Calgary, Alberta.
J. Bishop, Manager.

Western Caissons (Sask.) Limited,
121 - 105th Street East,
Saskatoon, Saskatchewan.
L. Lashyn, Manager.

Western Caissons (Sask.) Limited,
Corner 7th and Elliott,
Regina, Saskatchewan.
G. Holoboff, Manager.

Western Caissons (Man.) Limited,
961 Jarvis Avenue,
Winnipeg, Manitoba.
C. Lee, Manager.

Western Caissons (Ont.) Limited,
150 Credit Stone Road,
Maple (Toronto), Ontario.
P. Kozicki, Manager.

Western Caissons (Quebec) Limited,
1950 Fortin Boulevard,
Chomedey (Laval), Quebec.
C. Brodeur, Manager.

Western Caissons Incorporated,
1800 First National Building,
Detroit, Michigan.

Western Caissons Incorporated,
12000 Piney Glen Lane,
Potomac, Maryland,
R. Armstrong, Manager.

BEVERAGE GROUP

Polar Beverages (1970) Ltd.,
1010 - 42nd Avenue S.E.,
Calgary, Alberta.
K. Taylor, Manager.

Chinook Beverages Limited
2907 - 2nd Avenue South,
Lethbridge, Alberta.
A. Kuzyk, Manager.

COMMUNICATIONS GROUP

General News Company Ltd.,
237 - 12th Street B North,
Lethbridge, Alberta.
L. Herring, Manager.

Co-Ax Cable TV Limited,
408 - 11th Avenue,
Estevan, Saskatchewan.
A. Berday, Manager.

Co-Ax Cable TV Limited,
117 - 2nd Street,
Weyburn, Saskatchewan.
A. Berday, Manager.

CableVision Lethbridge Ltd.,
1018 - 3rd Avenue South,
Lethbridge, Alberta.
D. Robinson, Manager.

Powell River Television Company Ltd.,
4706 Marine Avenue,
Powell River, B.C.
G. Turner, Manager.

